

HOPKINS PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 15, 2004

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hopkins Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hopkins Public Schools as of June 30, 2004 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2004, on our consideration of Hopkins Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Education
Hopkins Public Schools

July 15, 2004

The management's discussion and analysis and budgetary comparison information on pages vi through xii and page 24, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hopkins Public Schools' basic financial statements. The additional information on pages 25 to 51 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costurison & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hopkins Public School's (HPS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the district's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The 2003/04 fiscal year resulted in a fund deficit in the General Fund for the first time since 99/00. This was an expected result for the District, as nearly \$340,000 was dedicated towards completion of the new football field/track complex. The deficit of approximately \$240,000 was slightly lower than was originally budgeted.

The Athletic fund also showed greater expenses than revenues. This was the second successive year that this fund showed a financial loss, and in the two year process has used up all of its financial reserves.

The School Lunch fund had a good year financially, with revenues exceeding expenses by nearly 5%, a substantial change over fiscal 2003.

In total, District revenues exceeded 12.4 million dollars for fiscal year ended June 30, 2004. Spending over the same time period was 12.95 million dollars. In both cases that was an increase of approximately \$200,000 over fiscal 2003. The District remains in the School Bond Loan Fund (SBLF), borrowing to keep the debt millage at 8 mills. Borrowings for fiscal 2004 decreased slightly to about a quarter million dollars, and are expected to continue to drop until fiscal 2008 when the District is projected to raise enough money on the 8 mill levy to pay principal and interest without SBLF support.

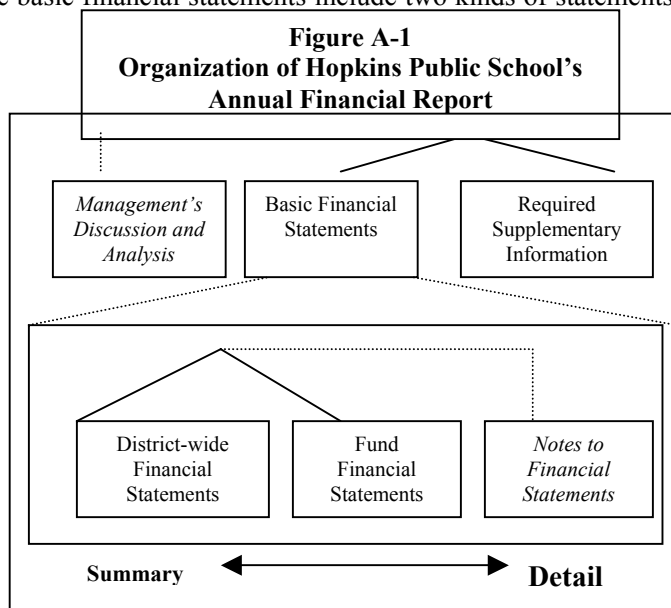
Revenue increases came from the General Fund, where the student count reached 1,460, the highest ever, from the School Lunch fund, and from increasing property values in the Debt Retirement fund.

During fiscal 2004, the District retired over \$700,000 of principal from its long-term debt. The fund balances for all District funds dropped from 2.84 million in fiscal 2003 to 2.64 million as of June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.



- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Hopkins Public Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – District net assets decreased during fiscal 2004. Borrowings from the school bond loan fund, which allows the District to maintain an artificially low millage rate during the beginning years of bond repayment has an impact in this area. Depreciation of District assets, more than \$600,000, as opposed to new purchases of \$272,000 also had an impact.

Table A-3
Hopkins Public Schools

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 3,987,640	\$ 4,037,678
Capital assets, less accumulated depreciation	<u>20,893,811</u>	<u>21,279,690</u>
Total assets	<u>24,881,451</u>	<u>25,317,368</u>
Long-term debt outstanding	23,273,328	23,006,120
Other liabilities	<u>2,350,960</u>	<u>2,295,249</u>
Total liabilities	<u>25,624,288</u>	<u>25,301,369</u>
Net assets:		
Invested in capital assets net of related debt	<u>(2,092,547)</u>	<u>(635,604)</u>
Restricted	69,018	346,685
Unrestricted	<u>1,280,692</u>	<u>304,918</u>
Total net assets (deficit)	<u><u>\$ (742,837)</u></u>	<u><u>\$ 15,999</u></u>

Table A-4
Changes in Hopkins School's Net Assets

	<u>2004</u>	<u>2003</u>
Revenues		
Program revenues	\$ 501,773	\$ 486,678
Charges for services	649,996	618,816
General revenues		
Property taxes	1,774,473	1,698,246
State aid – unrestricted	9,321,370	9,210,090
Other	<u>213,635</u>	<u>308,667</u>
Total revenues	<u>12,461,247</u>	<u>12,322,497</u>
Expenses		
Instruction	6,543,107	5,922,330
Support services	4,462,303	3,911,433
Community services	20,854	25,119
Food services	592,457	567,739
Athletics	108,831	107,876
* Business type activities		
Interest on long-term debt	1,012,002	1,057,896
Unallocated depreciation	<u>480,529</u>	<u>760,887</u>
Total expenses	<u>13,220,083</u>	<u>12,353,280</u>
Decrease in net assets	<u><u>\$ (758,836)</u></u>	<u><u>\$ (30,783)</u></u>

District Governmental Activities

Though the District spent \$240,000 more than it took in during fiscal 2004, it remains in relatively good financial shape. This is a result of several areas:

- Student growth has continued in the District. Since fiscal 1999 the District enrollment has grown by more than 11%, reaching 1,460 in 2004.
- More than half of the District employees participate in a total compensation package for determining wage increases. This has kept the “flat” revenue picture from having as great an impact on the District as it has in neighboring areas.
- The District has added an ECDD classroom for pre-primary children, which has increased revenues, at a very minor increase in expenditures.
- The continued success of the shared time program, in which District staff travel to in District parochial schools continues to bring in more revenues than it costs. This program is in its fifth year.
- The decision to purchase less expensive used buses, has allowed the District to begin a reduction of its dependence on older, more expensive buses for pupil transportation.
- Though minor in scale the District has also pursued reimbursement dollars from the federal USF fund, and has spent up-front on “tower communications” for technology, which will allow for a reduction in the costs for leased phone lines.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The District’s excess of expenditures for the year over revenues was not unanticipated. Steps were taken at the end of fiscal ’03 to improve the School Lunch fund, but changes in league philosophy regarding minimum officiating crews made it a difficult year for the Athletic Department. Combined district fund balances still represent over 20% of yearly expenditures. The General Fund deficit was anticipated due to the scale of activities during 2003/04.

General Fund and Budget Highlights

During the 2004 fiscal year the original District budgets were amended several times to reflect the changes that had an impact on the District.

Initial budget amendments took place in the fall of the year and reflected the awareness of settled contracts, actual student counts, and the impact of staffing changes. Additional amendments reflected state pro-ration of the District foundation grant as well as better information on utilities, snow removal and the other District expenditures which vary depending on the year. The final budget amendment anticipated a deficit of slightly more than \$200,000. Final figures show that amount increased to over \$240,000. Major last minute changes came about through unanticipated billings for special education, and the earlier completion of District WAN towers. The towers, which will replace leased District WAN liens are expected to be a savings to the District over their useful life, with a payback period of just over four years.

The District spent in excess of \$340,000 to complete the football/track complex to allow for its use beginning in the fall of 2003. This required bleachers, press-box fencing, locker-rooms and sound system. All of these were anticipated in the initial District budget which when adopted on June 16, 2003, anticipated a budget deficit of slightly over \$500,000.

Overall final District figures showed that revenues, despite a pro-ration of more than \$100,000 in the student foundation grant, came in \$60,000 greater than was originally budgeted, an increase of around ½ of one percent. Expenditures for the year were \$170,000 less than the original budget, or 1.5% less than the original budget adopted in June.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital purchases by the District in 2004 were primarily related to completion of the football/track complex. Pressbox, fencing, and sound system along with new school buses and the WAN tower comprised major spending. Capital spending exceeded \$272,000 in fiscal 2004.

Table A-5
Hopkins Public Schools Capital Assets
(Net of Depreciation)

	2004	2003
Land	\$ 50,000	\$ 50,000
Construction in progress	77,451	
Buildings and additions	19,891,525	20,312,175
Furniture and equipment	347,670	435,653
Transportation equipment	527,165	481,862
Totals	<u>\$ 20,893,811</u>	<u>\$ 21,279,690</u>

Long-term Debt

At year end the District continued to have over \$24 million in general obligation bonds and other long-term debt outstanding. This amount was about \$169,000 more than fiscal 2003. During fiscal 2004 the District repaid over \$700,000 in principal, but also issued \$257,000 in new borrowings with the School Bond Loan Fund.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several areas that could have a major impact on the 2005 fiscal year, and the near future.

- The State of Michigan has finalized the student foundation allowance for 2004/05. The amount \$6,700 per student represents the third

successive year where the grant has remained the same. Because of the unstable economy still existing in the State, there is a question if this amount can be fully funded.

- Health insurance costs continue to escalate. District employees are shouldering a portion of the premium increase, but at the current rate the District insurance package could reach \$20,000 per year for each employee by fiscal 2007.
- District pension costs are also rising at a rapid rate. An increase from 12.99% per salary dollar to 14.87% per dollar of salary will require an increase in over \$120,000 in pension dollars from the fiscal 2005 budget. Expectations are that fiscal 2006 may require double that amount in new dollars.
- Student growth remains expected, though there is no guarantee that this will come about. Enrollment projections anticipate continued growth, but the State's economy, as well as Schools of Choice can make an individual year problematic.

Table A-6 Hopkins Public Schools Outstanding Long-term debt		
	2004	2003
General obligation debts	\$ 17,920,000	\$ 18,640,000
(financed with property taxes)		
School Bond Loan Fund	4,984,684	4,592,886
Other	1,228,657	730,573
Total	<u>\$ 24,133,341</u>	<u>\$ 23,963,459</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Hopkins Public Schools, 400 Clark Street, Hopkins, MI 49328.

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 479,637
Investments	1,566,515
Due from other governmental units	1,729,827
Interest receivable	4,824
Taxes receivable	6,640
Inventories	77,237
Prepaid expenditures	122,960
TOTAL CURRENT ASSETS	3,987,640
NONCURRENT ASSETS:	
Capital assets	26,620,478
Less accumulated depreciation	(5,726,667)
TOTAL NONCURRENT ASSETS	20,893,811
TOTAL ASSETS	\$ 24,881,451
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 8,615
Accrued salaries and related items	436,153
Accrued interest	153,771
Accrued expenses	189,088
Deferred revenue	3,320
Note payable	700,000
Current portion of accrued severance pay	112,057
Current portion of long-term obligations	725,000
Current portion of compensated absences and retirement incentives	22,956
TOTAL CURRENT LIABILITIES	2,350,960
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	22,261,358
Noncurrent portion of compensated absences and retirement incentives	675,800
Noncurrent portion of accrued severance pay	336,170
TOTAL NONCURRENT LIABILITIES	23,273,328
TOTAL LIABILITIES	25,624,288
NET ASSETS (DEFICIT):	
Invested in capital assets net of related debt	(2,092,547)
Restricted for debt service	69,018
Unrestricted	1,280,692
TOTAL NET ASSETS (DEFICIT)	(742,837)
TOTAL LIABILITIES AND NET ASSETS	\$ 24,881,451

**HOPKINS PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 6,543,107	\$ 25,740	\$ 430,269	\$ (6,087,098)
Support services	4,462,303	17,242	12,784	(4,432,277)
Community services	20,854	25,554		4,700
Food services	592,457	378,572	206,943	(6,942)
Athletics	108,831	54,665		(54,166)
Interest on long-term debt	1,012,002			(1,012,002)
Unallocated depreciation	480,529			(480,529)
Total governmental activities	<u>\$ 13,220,083</u>	<u>\$ 501,773</u>	<u>\$ 649,996</u>	<u>(12,068,314)</u>
General revenues:				
Property taxes, levied for general purposes				414,532
Property taxes, levied for debt service				1,359,941
Investment earnings				30,852
State sources				9,321,370
Allegan ISD special education allocation				161,395
Other				21,388
Total general revenues				<u>11,309,478</u>
CHANGE IN NET ASSETS (DEFICIT)				(758,836)
NET ASSETS, beginning of year				<u>15,999</u>
NET ASSETS (DEFICIT), end of year				<u>\$ (742,837)</u>

**HOPKINS PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General fund	Other nonmajor governmental funds	Total governmental funds
ASSETS			
ASSETS:			
Cash	\$ 241,650	\$ 237,987	\$ 479,637
Investments	1,566,515		1,566,515
Interest receivable	4,824		4,824
Taxes receivable	6,640		6,640
Due from other governmental units	1,729,827		1,729,827
Due from other funds	10,458	17,135	27,593
Inventories	72,859	4,378	77,237
Prepaid expenditures	122,960		122,960
TOTAL ASSETS	\$ 3,755,733	\$ 259,500	\$ 4,015,233
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 5,125	\$ 3,490	\$ 8,615
Accrued salaries and related items	436,153		436,153
Accrued expenses	189,088		189,088
Deferred revenue	6,640		6,640
Due to other funds	17,135	10,458	27,593
Accrued interest	7,140		7,140
Note payable	700,000		700,000
TOTAL LIABILITIES	1,361,281	13,948	1,375,229

	General fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:			
Reserved for inventories	\$ 72,859	\$ 4,378	\$ 77,237
Reserved for prepaid expenditures	122,960		122,960
Reserved for debt service		215,649	215,649
Designated for accrued retirement benefits	698,756		698,756
Designated for subsequent year expenditures	353,000		353,000
Unreserved, undesignated	1,146,877	25,525	1,172,402
TOTAL FUND BALANCES	2,394,452	245,552	2,640,004
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,755,733	\$ 259,500	\$ 4,015,233
Total Governmental Fund Balances			\$ 2,640,004
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is		\$ 26,620,478	
Accumulated depreciation is		<u>(5,726,667)</u>	
			20,893,811
Long-term liabilities are not due and payable in the current period and are not reported in the funds			
Bonds payable			(22,986,358)
Compensated absences			(698,756)
Severance pay			(448,227)
Accrued interest on long-term debt is not included as a liability in government funds, it is recorded when paid			(146,631)
Balance of taxes receivable at 6/30/04 less allowance for doubtful accounts, expected to be collected after September 1, 2004			<u>3,320</u>
Net assets of governmental activities			\$ (742,837)

See notes to financial statements.

HOPKINS PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ 414,532	\$ 1,360,000	\$ 1,774,532
Investment earnings	25,238	5,614	30,852
Food sales and athletic admissions		433,217	433,217
Other	160,302	804	161,106
	<hr/>	<hr/>	<hr/>
Total local sources	600,072	1,799,635	2,399,707
State sources	9,480,546	36,237	9,516,783
Federal sources	211,715	170,706	382,421
Incoming transfers	162,395		162,395
	<hr/>	<hr/>	<hr/>
Total revenues	10,454,728	2,006,578	12,461,306
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Current:			
Instruction	6,063,945		6,063,945
Supporting services	4,567,474		4,567,474
Food service activities		591,321	591,321
Athletic activities		78,945	78,945
Community service activities	20,854		20,854

	General fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):			
Debt service:			
Principal repayment	\$	\$ 720,000	\$ 720,000
Interest expense		881,105	881,105
Professional fees		1,579	1,579
Total expenditures	10,652,273	2,272,950	12,925,223
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(197,545)	(266,372)	(463,917)
OTHER FINANCING SOURCES (USES):			
Proceeds from school bond loan fund		257,000	257,000
Operating transfers from other funds		42,145	42,145
Operating transfers to other funds	(42,145)		(42,145)
Total other financing sources (uses)	(42,145)	299,145	257,000
NET CHANGE IN FUND BALANCES	(239,690)	32,773	(206,917)
FUND BALANCES:			
Beginning of year	2,634,142	212,779	2,846,921
End of year	\$ 2,394,452	\$ 245,552	\$ 2,640,004

See notes to financial statements.

**HOPKINS PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Net change in fund balances total governmental funds	\$ (206,917)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities.	
These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(657,945)
Capital outlay	272,066
Accrued interest on bonds is recorded in the statement of activities	
when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	150,532
Accrued interest payable, end of the year	(146,631)
Accrued severance pay is recorded in the statement of activities when incurred, but	
it is not recorded in the governmental funds until it is paid:	
Accrued severance pay	(448,227)
Proceeds and repayments of principal on long-term debt are revenues and expenditures in the	
governmental funds, but not in the statement of activities (where they are additions	
and reductions of liabilities)	
Principal repayment	720,000
Proceed from school bond loan fund	(391,798)
Revenue is recorded on the accrual method in the statement of activities; in the	
governmental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue, beginning of the year	(3,379)
Accrued revenue, end of the year	3,320
Compensated absences are reported on the accrual method in the statement of activities,	
and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences, beginning of the year	648,899
Accrued compensated absences, end of the year	(698,756)
Change in net assets of governmental activities	<u><u>\$ (758,836)</u></u>

HOPKINS PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

ASSETS	Private purpose trust fund	Agency funds
Cash	\$	\$ 73,952
Land	37,000	
Land improvements	3,522	
Building	40,000	
Building improvements	1,097	
	<u>\$ 81,619</u>	<u>\$ 73,952</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to student groups	\$	\$ 73,952
Fund balances:		
Reserved for school use	<u>81,619</u>	
	<u>\$ 81,619</u>	<u>\$ 73,952</u>

There was no activity in the private purpose trust fund for the year ended June 30, 2004.

HOPKINS PUBLIC SCHOOLS NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hopkins Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Hopkins Public Schools (the "District") is governed by the Hopkins Public Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual method of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2004, the foundation allowance was based on pupil membership counts taken in February and September of 2003.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2003 to August 2004. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2004, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0
Debt service fund - Homestead and non-homestead	8.0

3. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Concluded)

8. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concluded)

5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2004. The District does not consider these amendments to be significant.

NOTE 3 - DEPOSITS, INVESTMENTS AND CREDIT RISK

Deposits

Cash and investments are held separately by each of the District's funds.

At year end, the carrying amount of the District's deposits were \$553,388. The bank balance was \$793,825 of which \$100,000 was covered by federal depository insurance and \$693,825 as uninsured and uncollateralized. The District has \$201 of petty cash on hand.

The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the District's name.

At year end, the fair value of the District's investment balances were as follows:

Investments not subject to categorization:

Investment in pooled investment funds	\$ 960,395
Guaranteed investment contracts	<u>606,120</u>
	<u><u>\$1,566,515</u></u>

HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS, INVESTMENTS AND CREDIT RISK (Concluded)

A reconciliation of cash and investments as shown on the combined statement of net assets follows:

Carrying value:	
Cash on deposit with insurance company	\$ 20,000
Cash on hand	201
Carrying amount of deposits	533,388
Carrying amount of investments	<u>1,566,515</u>
Total	<u><u>\$2,120,104</u></u>
Per financial statements:	
Cash - including agency funds of \$73,952	\$ 553,589
Investments	<u>1,566,515</u>
Total	<u><u>\$2,120,104</u></u>

NOTE 4 – CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Assets not being depreciated - land	\$ 50,000	\$	\$	\$ 50,000
Construction in progress		77,451		77,451
Total capital assets not being depreciated	<u>50,000</u>	<u>77,451</u>		<u>127,451</u>
Other capital assets:				
Buildings and additions	23,618,124			23,618,124
Furniture and equipment	1,185,150	36,161		1,221,311
Transportation equipment	1,495,138	158,454		1,653,592
Subtotal	<u>26,298,412</u>	<u>194,615</u>		<u>26,493,027</u>
Accumulated depreciation:				
Buildings and additions	3,305,949	420,650		3,726,599
Furniture and equipment	749,497	124,144		873,641
Transportation equipment	<u>1,013,276</u>	<u>113,151</u>		<u>1,126,427</u>
Net other capital assets	<u>5,068,722</u>	<u>657,945</u>		<u>5,726,667</u>
Net capital assets	<u><u>\$ 21,279,690</u></u>	<u><u>\$ (385,879)</u></u>	<u><u>\$</u></u>	<u><u>\$ 20,893,811</u></u>

Depreciation for the fiscal year ended June 30, 2004 amounted to \$657,945.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Instruction	\$ 32,439
Support Services	115,091
Athletics	29,886
Unallocated depreciation	<u>480,529</u>
Total depreciation	<u><u>\$ 657,945</u></u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2004 consist of the following:

	<u>General fund</u>
State Aid - State of Michigan	\$ 1,715,704
Other governmental units	14,123
Taxes	6,640
Accrued interest	<u>4,824</u>
	<u><u>\$ 1,741,291</u></u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - NOTE PAYABLE

At June 30, 2004, the District has outstanding a \$700,000 revenue note (state-aid note). The note, which has an interest rate of 1.02%, matures August 21, 2004. The District has \$606,120 of funds on deposit in a guaranteed investment contract with a financial institution, which are included in investments on the general fund balance sheet, to pay-off the note. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2003	Additions	Payments	Balance June 30, 2004
<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1996 general obligation bonds due in annual installments of \$625,000 to \$700,000 through May 1, 2007 with interest at 6.25% to 6.30%	\$ 1,975,000
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1998 general obligation refunding bonds due in annual installments of \$55,000 to \$415,000 through May 1, 2026 with interest at 3.90% to 4.65%	8,060,000
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1999 general obligation refunding bonds due in annual installments of \$40,000 to \$440,000 through May 1, 2026 with interest at 3.95% into 4.75%	<u>7,885,000</u>
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Total general obligation bonds	17,920,000
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1998 limited obligation bonds (Durant bonds) due in annual installments of \$6,481 to \$29,277 through May 1, 2013 with interest at 4.76%. Certain state aid payments have been pledged as security.	81,674
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Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	4,984,684
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Accrued retirement benefits:

Obligation under contract for compensated absences and retirement incentives	698,756
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Obligation under contract for severance pay	<u>448,227</u>
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Total general long-term debt	<u><u>\$ 24,133,341</u></u>
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**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Continued)

The annual requirements to amortize the long-term obligations as of June 30, 2004, including interest of \$9,549,557, are as follows:

Year ending June 30,	Total
2005	\$ 1,563,072
2006	1,592,141
2007	1,563,956
2008	1,540,985
2009	1,507,164
2010-2014	7,052,711
2015-2019	6,021,216
2020-2024	4,986,516
2025-2026	<u>1,723,470</u>
	27,551,231
Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	4,984,684
Accrued retirement benefits:	
Obligation under contract for compensated absences and retirement incentives	698,756
Obligation under contract for severance pay	<u>448,227</u>
Total general long-term debt and interest	<u><u>\$ 33,682,898</u></u>

An amount of \$215,649 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2004 was \$1,024,471. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT AND LOANS PAYABLE (Concluded)

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Due within one year
General obligation bonds	\$ 18,640,000	\$	\$ 720,000	\$ 17,920,000	\$ 725,000
Limited obligation bonds	81,674			81,674	
School bond loan fund	4,592,886	391,798		4,984,684	
Accumulated unpaid sick pay	477,899	36,857		514,756	20,956
Accrued early retirement incentives	171,000	13,000		184,000	2,000
Severance pay		448,227		448,227	112,057
Totals	<u>\$ 23,963,459</u>	<u>\$ 889,882</u>	<u>\$ 720,000</u>	<u>\$ 24,133,341</u>	<u>\$ 860,013</u>

At June 30, 2004 outstanding general obligation bonds of \$15,050,000 relating to the 1996 issue are considered to be defeased.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2004 were 12.99% of payroll through September 30, 2003 and 12.99% effective October 1, 2003. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2004, 2003 and 2002 were \$812,710, \$779,409, and \$692,894, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Postemployment Benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental, and vision coverage.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Participant's annual dental and vision benefits are limited.

Hopkins Public Schools is self insured for dental and vision claims. Claims for the year ending June 30, 2004 and 2003 were approximately \$215,000 and \$170,000, respectively. The estimated liabilities for claims incurred but unreported as of June 30, 2004 and 2003 is not significant.

The District continues to carry commercial insurance for all other risks of loss, including property and casualty and other employee health and accident insurance.

**HOPKINS PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - COMMITMENTS

On November 5, 1996 Hopkins Public Schools issued \$20,990,000 general obligation unlimited tax bonds. The Bonds are being issued for the purpose of (i) erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Hopkins Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the Sycamore Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site and playground; erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Junior/Senior High School for middle school purposes and, in part, for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing, and equipping a new high school and acquiring and installing educational technology systems, developing and improving the site; and constructing and equipping a bus maintenance facility, and developing and improving the site and (ii) paying the costs of issuing the Bonds.

The District is required to rebate investment income earned over allowable limits on funds invested from the sale of bonds to construct various buildings and upgrade existing facilities as required by the Tax Reform Act of 1986. Current estimates indicate any rebate will not have a significant impact to the District.

NOTE 11 – TRANSFERS

The general fund transferred \$42,145 to the special revenue fund, \$23,580 to the school lunch fund and \$18,565 to the athletics fund.

NOTE 12 – FUND DEFICIT

The financial statements include the following fund with a cumulative fund deficit at June 30, 2004:

<u>Fund</u>	<u>Deficit Amount</u>
Athletics	<u>\$ (1,827)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HOPKINS PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

FUND BALANCE CONCLUDED, 2007				
	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 554,000	\$ 518,000	\$ 600,072	\$ 82,072
State sources	9,449,000	9,480,000	9,480,546	546
Federal sources	246,000	284,000	211,715	(72,285)
Incoming transfers	148,000	162,000	162,395	395
Total revenues	10,397,000	10,444,000	10,454,728	10,728
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	5,055,000	5,041,000	5,093,297	(52,297)
Added needs	1,041,000	957,000	970,648	(13,648)
Total instruction	6,096,000	5,998,000	6,063,945	(65,945)
Supporting services:				
Pupil	570,000	532,000	505,214	26,786
Instructional staff	238,000	256,000	282,619	(26,619)
General administration	242,000	287,000	283,957	3,043
School administration	766,000	750,000	739,766	10,234
Business	410,000	312,000	302,977	9,023
EXPENDITURES (Concluded):				
Supporting services (Concluded):				
Operation/maintenance	\$ 1,636,000	\$ 1,553,000	\$ 1,553,726	\$ (726)
Central	80,000	101,000	163,153	(62,153)
Pupil transportation	742,000	741,000	736,062	4,938
Total supporting services	4,684,000	4,532,000	4,567,474	(35,474)
Community service activities	61,000	61,000	20,854	40,146
Total expenditures	10,841,000	10,591,000	10,652,273	(61,273)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(444,000)	(147,000)	(197,545)	(50,545)
OTHER FINANCING SOURCES (USES):				
Operating transfers to other funds	(63,000)	(58,000)	(42,145)	15,855
NET CHANGE IN FUND BALANCE	<u>\$ (507,000)</u>	<u>\$ (205,000)</u>	(239,690)	<u>\$ (34,690)</u>
FUND BALANCE:				
Beginning of year			2,634,142	
End of year			\$ 2,394,452	

ADDITIONAL INFORMATION

**HOPKINS PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2004**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash	\$ 22,338	\$ 215,649	\$ 237,987
Due from other funds	17,135		17,135
Inventories	4,378		4,378
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 43,851</u></u>	<u><u>\$ 215,649</u></u>	<u><u>\$ 259,500</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 3,490	\$	\$ 3,490
Due to other funds	10,458		10,458
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>13,948</u>	<u> </u>	<u>13,948</u>
FUND BALANCES:			
Reserved for inventories	4,378		4,378
Reserved for debt service		215,649	215,649
Unreserved, undesignated	25,525		25,525
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>29,903</u>	<u>215,649</u>	<u>245,552</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 43,851</u></u>	<u><u>\$ 215,649</u></u>	<u><u>\$ 259,500</u></u>

HOPKINS PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2004

[illegible]

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2004 AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
Cash	\$ 241,650	\$ 101,757
Investments	1,566,515	1,851,152
Due from other governmental units	1,729,827	1,686,521
Due from other funds	10,458	
Accrued interest receivable	4,824	8,223
Taxes receivable	6,640	
Inventories	72,859	64,136
Prepaid expenses	122,960	106,364
	<u>\$ 3,755,733</u>	<u>\$ 3,818,153</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 5,125	\$ 15,035
Accrued interest	7,140	9,800
Accrued expenses	189,088	154,026
Accrued salaries	436,153	305,150
Deferred revenue	6,640	
Due to other funds	17,135	
Note payable	700,000	700,000
Total liabilities	<u>1,361,281</u>	<u>1,184,011</u>
Fund balance:		
Reserved for inventories	72,859	64,136
Reserved for prepaid expenses	122,960	106,364
Unreserved:		
Designated for accrued retirement benefits	698,756	658,246
Designated for subsequent year expenditures	353,000	
Undesignated	1,146,877	1,805,396
Total fund balance	<u>2,394,452</u>	<u>2,634,142</u>
	<u>\$ 3,755,733</u>	<u>\$ 3,818,153</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF REVENUES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
LOCAL SOURCES:		
Property taxes	\$ 414,532	\$ 415,659
Interest	25,238	37,389
Other local revenue	71,261	69,995
Welcoming school grant	63,349	53,733
Building rentals	17,242	15,497
Refunds and rebates	<u>8,450</u>	<u>8,166</u>
TOTAL LOCAL SOURCES	<u>600,072</u>	<u>600,439</u>
STATE SOURCES:		
State school aid	9,083,458	9,036,227
Driver education	9,040	10,091
Special education	231,720	173,863
Vocational education		14,266
At risk	136,046	130,314
Durant	12,784	12,784
Other state revenue	<u>7,498</u>	<u>(5,817)</u>
TOTAL STATE SOURCES	<u>9,480,546</u>	<u>9,371,728</u>
FEDERAL SOURCES:		
Title I	146,251	146,251
Improving teacher quality	60,738	59,802
Drug free schools and communities	4,556	4,981
Eisenhower professional development		3,646
Ed tech		4,050
Other federal revenue	<u>170</u>	<u>1,713</u>
TOTAL FEDERAL SOURCES	<u>211,715</u>	<u>220,443</u>
INCOMING TRANSFERS:		
Special education	161,395	176,768
Gifted and talented		2,854
Staff development and technology		24,050
Other reimbursements	<u>1,000</u>	<u>9,795</u>
TOTAL INCOMING TRANSFERS	<u>162,395</u>	<u>213,467</u>
TOTAL REVENUES	<u><u>\$ 10,454,728</u></u>	<u><u>\$ 10,406,077</u></u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

INSTRUCTION:	<u>2004</u>	<u>2003</u>
Basic programs:		
Elementary:		
Salaries	\$ 1,513,904	\$ 1,570,646
Benefits	592,476	563,790
Purchased services	17,635	20,522
Supplies and materials	56,133	37,837
Other expenses	8,181	7,856
Capital outlay	<u>2,249</u>	<u>3,811</u>
Total elementary	<u>2,190,578</u>	<u>2,204,462</u>
Middle school:		
Salaries	763,840	732,659
Benefits	321,170	292,198
Purchased services	10,137	7,163
Supplies and materials	9,391	14,156
Other expenses	<u>50</u>	<u>3,184</u>
Total middle school	<u>1,104,588</u>	<u>1,049,360</u>
High school:		
Salaries	1,149,222	1,164,951
Benefits	451,971	418,058
Purchased services	21,600	24,650
Supplies and materials	88,367	75,184
Other expenses	8,420	9,143
Capital outlay	<u>78,551</u>	<u>75,618</u>
Total high school	<u>1,798,131</u>	<u>1,767,604</u>
Total instruction-basic programs	<u>5,093,297</u>	<u>5,021,426</u>
Added needs:		
Special education:		
Salaries	449,504	399,997
Benefits	183,824	146,373
Purchased services	18,200	45,000
Supplies and materials	9,303	3,026
Other expenses	<u>10,174</u>	<u>1,144</u>
Total special education	<u>671,005</u>	<u>595,540</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

INSTRUCTION (Concluded):	<u>2004</u>	<u>2003</u>
Added needs (Concluded):		
Compensatory education:		
Salaries	\$ 146,896	\$ 140,828
Benefits	37,979	41,062
Purchased services	7,017	9,329
Supplies and materials	5,145	10,045
Other expenses	<u>3,152</u>	<u>6,565</u>
Total compensatory education	<u>200,189</u>	<u>207,829</u>
Vocational education:		
Salaries	36,688	37,772
Benefits	21,841	19,397
Purchased services	2,070	1,620
Supplies and materials	5,048	7,985
Other expenses	<u>830</u>	<u>830</u>
Total vocational education	<u>65,647</u>	<u>67,604</u>
Drivers education:		
Salaries	18,913	13,170
Benefits	3,627	3,254
Purchased services	7,514	3,870
Supplies and materials	2,889	1,752
Other expenses	<u>864</u>	<u>2,681</u>
Total drivers education	<u>33,807</u>	<u>24,727</u>
Total instruction-added needs	<u>970,648</u>	<u>895,700</u>
TOTAL INSTRUCTION	<u>6,063,945</u>	<u>5,917,126</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
SUPPORTING SERVICES:		
Support services-pupil:		
Guidance services:		
Salaries	\$ 172,501	\$ 163,727
Benefits	65,652	70,987
Purchased services	4,068	4,785
Supplies and materials	4,462	5,471
Other expenses	<u>4,194</u>	<u>5,573</u>
Total guidance services	<u>250,877</u>	<u>250,543</u>
Psychological services:		
Other expenses	<u>583</u>	<u>22,628</u>
Occupational therapist:		
Salaries	27,494	21,253
Benefits	2,641	7,929
Purchased services	70	572
Supplies and materials	<u>685</u>	<u>298</u>
Total occupational therapist	<u>30,890</u>	<u>30,052</u>
Social work services:		
Salaries	58,234	32,791
Benefits	29,645	13,639
Purchased services	46	525
Supplies and materials	446	27
Other expenses	<u></u>	<u>18,344</u>
Total social work services	<u>88,371</u>	<u>65,326</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
SUPPORTING SERVICES (Continued) :		
Support services - pupil:		
Speech therapist services:		
Salaries	\$ 66,043	\$ 34,056
Benefits	13,047	6,726
Purchased services	20	
Supplies and materials	1,117	275
Other expenses	<u>5,520</u>	<u>11,491</u>
Total speech therapist services	<u>85,747</u>	<u>52,548</u>
Other pupil services:		
Salaries	29,521	34,643
Benefits	6,073	7,061
Purchased services	11,284	10,390
Supplies and materials	1,328	1,601
Other expenses	<u>540</u>	<u>653</u>
Total other pupil services	<u>48,746</u>	<u>54,348</u>
Total support services-pupil	<u>505,214</u>	<u>475,445</u>
Support services-instructional staff:		
Library:		
Salaries	90,514	87,837
Benefits	25,851	23,657
Purchased services	3,260	2,367
Supplies and materials	23,934	25,066
Other expenses	<u>2,161</u>	<u>2,859</u>
Total library	<u>145,720</u>	<u>141,786</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
SUPPORTING SERVICES (Continued):		
Support services - instructional staff (Concluded):		
Professional development:		
Salaries	\$ 4,987	\$ 6,023
Benefits	4,491	958
Purchased services	10,260	6,568
Supplies and materials	466	347
Other expenses		939
	<u>20,204</u>	<u>14,835</u>
Total audio-visual		
	<u>20,204</u>	<u>14,835</u>
Supervision and direction of instructional staff:		
Salaries	84,306	88,523
Benefits	29,380	28,738
Purchased services	1,868	4,150
Supplies and materials	1,066	1,417
Other expenses	75	461
	<u>116,695</u>	<u>123,289</u>
Total supervision and direction of instructional staff		
	<u>116,695</u>	<u>123,289</u>
Total support services-instructional staff		
	<u>282,619</u>	<u>279,910</u>
Support service-general administration:		
Board of education:		
Salaries	7,815	10,805
Purchased services	65,780	68,590
Supplies and materials	522	298
Other expenses	25,204	32,049
	<u>99,321</u>	<u>111,742</u>
Total board of education		
	<u>99,321</u>	<u>111,742</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
SUPPORTING SERVICES (Continued):		
Supporting services-general administration (Concluded):		
Executive administration:		
Salaries	\$ 133,852	\$ 127,474
Benefits	42,930	25,489
Purchased services	7,595	5,871
Supplies and materials	134	621
Other expenses	<u>125</u>	<u>2,932</u>
Total executive administration	<u>184,636</u>	<u>162,387</u>
Total support services-general administration	<u>283,957</u>	<u>274,129</u>
Support services-school administration:		
Office of the principal:		
Salaries	530,536	418,823
Benefits	170,002	127,970
Purchased services	25,035	22,265
Supplies and materials	1,507	14,439
Other expense	<u>12,686</u>	<u>12,612</u>
Total support services-school administration	<u>739,766</u>	<u>596,109</u>
Support services-business:		
Fiscal services:		
Salaries	166,306	154,326
Benefits	55,557	53,830
Purchased services	15,897	18,018
Supplies and materials	4,421	16,690
Other expenses	<u>1,787</u>	<u>2,674</u>
Total fiscal services	<u>243,968</u>	<u>245,538</u>
Other business services:		
Purchased services	50,442	57,283
Interest on debt	<u>8,567</u>	<u>7,009</u>
Total other business services	<u>59,009</u>	<u>64,292</u>
Total support services-business	<u>302,977</u>	<u>309,830</u>

**HOPKINS PUBLIC SCHOOLS
GENERAL FUND
DETAIL OF EXPENDITURES
YEARS ENDED JUNE 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
SUPPORTING SERVICES (Concluded):		
Support services-operations and maintenance:		
Salaries	\$ 451,083	\$ 459,129
Benefits	222,280	198,944
Purchased services	443,979	481,960
Supplies and materials	69,329	91,206
Other expenses	11,498	8,305
Capital outlay	<u>355,557</u>	<u>250,431</u>
Total support services-operations and maintenance	<u>1,553,726</u>	<u>1,489,975</u>
Support services-transportation:		
Salaries	348,721	353,076
Benefits	110,633	107,692
Purchased services	53,260	42,078
Supplies and materials	77,835	57,285
Other expenses	5,480	1,904
Capital outlay	<u>140,133</u>	<u>111,838</u>
Total support services-transportation	<u>736,062</u>	<u>673,873</u>
Central:		
Salaries	64,355	60,348
Benefits	26,256	23,447
Purchased services	4,362	5,783
Supplies and materials	3,537	8,662
Capital outlay	63,273	23,239
Other expenses	<u>1,370</u>	<u>672</u>
Total central	<u>163,153</u>	<u>122,151</u>
TOTAL SUPPORTING SERVICES	<u>4,567,474</u>	<u>4,221,422</u>
COMMUNITY SERVICES:		
Community services-child care:		
Salaries	15,697	18,046
Benefits	3,239	3,706
Supplies and materials	<u>1,918</u>	<u>3,367</u>
TOTAL COMMUNITY SERVICES	<u>20,854</u>	<u>25,119</u>
TOTAL EXPENDITURES	<u><u>\$ 10,652,273</u></u>	<u><u>\$ 10,163,667</u></u>

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003**

	School lunch fund	Athletics fund	Totals	
			2004	2003
ASSETS				
Cash	\$ 20,675	\$ 1,663	\$ 22,338	\$ 28,155
Due from other funds	17,135		17,135	
Inventories	4,378		4,378	11,054
TOTAL ASSETS	\$ 42,188	\$ 1,663	\$ 43,851	\$ 39,209
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$	\$ 3,490	\$ 3,490	\$ 4,006
Due to other funds	10,458		10,458	2,865
Total liabilities	10,458	3,490	13,948	6,871
Fund balances:				
Reserved for inventories	4,378		4,378	11,054
Unreserved:				
Undesignated	27,352	(1,827)	25,525	21,284
Total fund balances	31,730	(1,827)	29,903	32,338
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,188	\$ 1,663	\$ 43,851	\$ 39,209

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003**

	School lunch fund	Athletics fund	Totals	
			2004	2003
REVENUES:				
Student lunches	\$ 167,327	\$	\$ 167,327	\$ 150,647
Adult lunches	13,942		13,942	9,926
Breakfast	10,703		10,703	8,465
Ala carte	158,967		158,967	161,846
Catering	27,633		27,633	26,380
State aid	36,237		36,237	28,790
Federal aid	170,706		170,706	150,644
Athletic activities		54,645	54,645	85,076
Investment income	303	131	434	744
Miscellaneous	784	20	804	3,800
Total revenues	586,602	54,796	641,398	626,318
EXPENDITURES:				
Food purchases	249,714		249,714	235,964
Sales tax	803		803	467
Salaries	168,867		168,867	165,647
Supplies and materials	34,253	25,399	59,652	39,254
Miscellaneous	638	2,526	3,164	6,156
Repairs	225		225	6,105
Capital outlay	3,638	8,889	12,527	22,999
Office expense	1,785		1,785	850
Benefits	50,240		50,240	48,044
Athletic activities		42,131	42,131	74,679
Contracted services	81,158		81,158	79,599
Total expenditures	591,321	78,945	670,266	679,764

**HOPKINS PUBLIC SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003**

	School lunch fund	Athletics fund	Totals	
			2004	2003
DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ (4,719)	\$ (24,149)	\$ (28,868)	\$ (53,446)
OTHER FINANCING SOURCES:				
Operating transfer in from general fund	23,580	18,565	42,145	37,734
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	18,861	(5,584)	13,277	(15,712)
FUND BALANCES, beginning of year	12,869	3,757	16,626	32,338
FUND BALANCES, end of year	<u>\$ 31,730</u>	<u>\$ (1,827)</u>	<u>\$ 29,903</u>	<u>\$ 16,626</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003**

	<u>Debt service funds</u>			<u>Totals</u>	
ASSETS	<u>1996</u>	<u>1998</u>	<u>1999</u>	<u>2004</u>	<u>2003</u>
Cash	<u>\$ 70,875</u>	<u>\$ 69,979</u>	<u>\$ 74,795</u>	<u>\$ 215,649</u>	<u>\$ 196,153</u>
FUND BALANCES					
Fund balances					
Reserved for debt service	<u>\$ 70,875</u>	<u>\$ 69,979</u>	<u>\$ 74,795</u>	<u>\$ 215,649</u>	<u>\$ 196,153</u>

**HOPKINS PUBLIC SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2003**

				Totals	
	1996	1998	1999	2004	2003
REVENUES:					
Local sources:					
Property taxes	\$ 759,569	\$ 307,015	\$ 293,416	\$ 1,360,000	\$ 1,283,115
Investment income	2,683	1,242	1,255	5,180	7,322
Total revenues	762,252	308,257	294,671	1,365,180	1,290,437
EXPENDITURES:					
Principal retirement	625,000	55,000	40,000	720,000	695,000
Interest on bonded deb	163,125	358,670	359,310	881,105	913,495
Professional fees	545	517	517	1,579	441
Total expenditures	788,670	414,187	399,827	1,602,684	1,608,936
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(26,418)	(105,930)	(105,156)	(237,504)	(318,499)
OTHER FINANCING SOURCES:					
Proceeds from School Bond		119,000	138,000	257,000	337,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(26,418)	13,070	32,844	19,496	18,501
FUND BALANCES, beginning of year	97,293	56,909	41,951	196,153	177,652
FUND BALANCES, end of year	\$ 70,875	\$ 69,979	\$ 74,795	\$ 215,649	\$ 196,153

**HOPKINS PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR JUNE 30, 2003**

ASSETS	Private purpose trust fund	Agency funds	Totals	
			2004	2003
Cash	\$	\$ 73,952	\$ 73,952	\$ 60,781
Land	37,000		37,000	37,000
Land improvements	3,522		3,522	3,522
Building	40,000		40,000	40,000
Building improvements	1,097		1,097	1,097
	<u>\$ 81,619</u>	<u>\$ 73,952</u>	<u>\$ 155,571</u>	<u>\$ 142,400</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to student groups	\$	\$ 73,952	\$ 73,952	\$ 60,781
Fund balances:				
Reserved for school use	81,619		81,619	81,619
	<u>\$ 81,619</u>	<u>\$ 73,952</u>	<u>\$ 155,571</u>	<u>\$ 142,400</u>

**HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Receipts	Disbursements	Balance June 30, 2004
Kindergarten-Coffindaffer	\$ 42	\$ 50	\$ 26	\$ 66
Kindergarten-Crowe	341	610	500	451
Kindergarten-Hennip	57	50		107
Kindergarten-Engel	230	100	83	247
1st grade-Modreske	391	70	169	292
1st grade-Gilbert	63	280	304	39
1st grade-Moored	157	50	24	183
1st grade-Skorupski	74	50	44	80
2nd grade-Edwards	248	584	459	373
2nd grade-VanPortFleet	12	383	382	13
3rd grade-Mielke	50	84	50	84
3rd grade-Hoeksema	91	70		161
3rd grade-Vendeville	582	90		672
3rd grade-McClish	179	191	329	41
3rd grade-Bardelmeier	2	202	144	60
4th grade-Richmond	65	50	25	90
4th grade-Rademacher	40	50	34	56
4th grade-Rigotti-Craig	100	50	81	69
4th grade-Duiven	23	50	11	62
5th grade-VanBonn	22	51	54	19
5th grade-Whitmore	185	259	353	91
5th grade-Pike	267	350	317	300
HE Young Authors	293			293
Y5's-Siebers	185	50		235
Math HE	3	544	544	3
Buddy Reading	458		218	240
Sp Ed-Larr	98	50		148
Sp Ed-Soderquist	7	332	335	4
Sp Ed-Irwin	103			103
Sp Ed-Ball	212	50	28	234
Sp Ed-High School	49	2,513	2,560	2

**HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Receipts	Disbursements	Balance June 30, 2004
1st grade-Watson	\$ 84	\$ 50	\$ 22	\$ 112
1st grade-Cardenas	89	50	44	95
HE Misc.	99	4,630	4,326	403
Sycamore, Misc	1,962	1,811	2,407	1,366
German Club	11		11	
Jerry's Camp Donations	90		90	
 Sycamore Field Trips		1,898	1,407	491
Cross Country	215	3,121	2,681	655
Hopkins Elementary Music	426	636	946	116
Hopkins Elementary Gym	96	1,135	1,085	146
6th Grade Camp	3,734	28,893	23,161	9,466
 Wrestling	1,119	270		1,389
Varsity Girls' Basketball	278	2,930	1,644	1,564
Varsity Baseball	10			10
Varsity Boys' Basketball	1,139	8,623	8,141	1,621
Golf	329	300		629
 Jr. High Track	13			13
Wrestling Club	181			181
Soccer Club	2	217	97	122
Class of 2003	929		929	
 Class of 2004	3,102	110	2,326	886
Class of 2005	2,676	3,595	4,005	2,266
Varsity Cheerleaders	645	6,567	6,992	220
Athletic Director	360			360
Athletic Director Programs	219			219
 Yearbook/Journalism	4,550	26,083	24,188	6,445
FFA	710	10,645	10,512	843
Band	2,214	16,606	13,783	5,037
Band Uniforms	636			636
Honor Society	387	398		785
Hopkins Elementary Field Trips	1,166	11,926	12,136	956

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Receipts	Disbursements	Balance June 30, 2004
Spanish Club	\$ 2,959	\$ 9,055	\$ 8,848	\$ 3,166
HS Student Council	1,439	5,426	5,403	1,462
Jr. High Student Council	408	1,352	712	1,048
Hopkins Elem. Student Council	2,948	3,974	3,363	3,559
Sycamore Student Council	1,993	2,001	1,785	2,209
 Drama Club	 1,136	 2,592	 1,684	 2,044
SADD	3	772	694	81
Boonstra Scholarship	400	200	600	
HHS Scholarship	200	2,800	2,800	200
Gaunce Scholarship		500	500	
 BCSB Scholarship		 1,500	 1,500	
Hellwig Scholarship		3,357	500	2,857
Brooks Beverage Scholarship	500	3,500	3,500	500
VanderPloeg Scholarship	50	200	200	50
Kenneth Arndt Scholarship	2,053	452	750	1,755
AP Classes	1,196	2,706	2,823	1,079
 Indjer Scholarship	 3,300		 700	 2,600
Pep Club	87			87
Drug Free Schools	3			3
Internal	156	700	814	42
Interest	1,271	3,586	3,185	1,672
 HS Principal	 340	 5,434	 4,460	 1,314
Volleyball	2,868	9,138	6,816	5,190
Varsity Football	3,318	5,162	5,584	2,896
Softball	509		274	235
PALs	(11)	11		
 Ski Club	 295	 1,581	 1,805	 71
HE Library	253	3,134	3,340	47
Hopkins Elementary Art	63	50		113
Sycamore Music	1	200	151	50
Sycamore Art	78	50		128
Shelley Smith		106	80	26

HOPKINS PUBLIC SCHOOLS
AGENCY FUND
(INTERNAL FUNDS)
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND LIABILITIES BY ACTIVITY
YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Receipts	Disbursements	Balance June 30, 2004
Sycamore Gym	\$ 73	\$ 50	\$ 61	\$ 62
Sycamore Library	928	4,177	4,346	759
Sycamore Young Authors	938	2,273	1,791	1,420
Wise Farm Rental	460			460
Choir	(3,011)	28,000	29,813	(4,824)
Accelerated Reader - HE		500	489	11
Musical	(6,078)	14,054	20,318	(12,342)
6th Grade Team	215	1,302	863	654
7th Grade Team	309	3,329	2,876	762
8th Grade Team	358	2,066	1,404	1,020
Destination Imagination		200	154	46
Leonard Brenner Scholarship		500	500	
Wayland VFW Scholarship		100	100	
High School Spirit Shop		4,806	4,764	42
Class of 2006	1,530	1,101	582	2,049
Class of 2007	1,450	3,246	2,118	2,578
Class of 2008		200		200
Class of 2009		200		200
Class of 2010		200		200
United Bank Scholarship		1,000	1,000	
Arnsman Athletic Scholarship		1,000	1,000	
Middle School Principal	2,690	16,354	16,168	2,876
Middle School Yearbook	1,003	5,585	5,143	1,445
	<u>\$ 60,781</u>	<u>\$ 297,539</u>	<u>\$ 284,368</u>	<u>\$ 73,952</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1996 BONDED DEBT
JUNE 30, 2004**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2005	6.300	\$ 61,875	\$ 61,875	\$ 625,000	\$ 748,750
2006	6.250	42,188	42,188	650,000	734,376
2007	6.250	21,875	21,875	700,000	743,750
		<u>\$ 125,938</u>	<u>\$ 125,938</u>	<u>\$ 1,975,000</u>	<u>\$ 2,226,876</u>

Above bonds dated November 5, 1996, were issued for the purpose of erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Hopkins Elementary School, in part for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the Sycamore Elementary School, in part for acquiring and installing education technology systems, developing and improving the site and playground; erecting, furnishing and equipping an addition to and partially remodeling, refurnishing and re-equipping the Junior/Senior High School for middle school purposes and, in part, for acquiring and installing educational technology systems, developing and improving the site; erecting, furnishing and equipping a new high school and acquiring and installing educational technology systems, developing and improving the site; and constructing and equipping a bus maintenance facility and developing and improving the site.

Total amount of original issue was \$20,990,000.

A portion of the original issue was defeased with the 1998 and 2000 refunding bonds.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 REFUNDING BONDS
JUNE 30, 2004**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2005	3.90	\$ 178,276	\$ 178,276	\$ 55,000	\$ 411,552
2006	3.95	177,204	177,204	60,000	414,408
2007	4.00	176,019	176,019	60,000	412,038
2008	4.05	174,819	174,819	415,000	764,638
2009	4.10	166,415	166,415	415,000	747,830
2010	4.15	158,011	158,011	415,000	731,022
2011	4.20	149,504	149,504	415,000	714,008
2012	4.25	140,893	140,893	415,000	696,786
2013	4.35	132,178	132,178	415,000	679,356
2014	4.40	123,359	123,359	415,000	661,718
2015	4.45	114,333	114,333	415,000	643,666
2016	4.50	105,203	105,203	415,000	625,406
2017	4.55	95,969	95,969	415,000	606,938
2018	4.65	86,631	86,631	415,000	588,262
2019	4.65	77,190	77,190	415,000	569,380
2020	4.65	67,541	67,541	415,000	550,082
2021	4.65	57,893	57,893	415,000	530,786
2022	4.65	48,244	48,244	415,000	511,488
2023	4.65	38,595	38,595	415,000	492,190
2024	4.65	28,946	28,946	415,000	472,892
2025	4.65	19,298	19,298	415,000	453,596
2026	4.65	9,649	9,649	415,000	434,298
		<u>\$ 2,326,170</u>	<u>\$ 2,326,170</u>	<u>\$ 8,060,000</u>	<u>\$ 12,712,340</u>

Total amount of original issue was \$8,370,000.

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1999 REFUNDING BONDS
JUNE 30, 2004**

Fiscal year ended June 30,	Interest rate	Interest due		Principal due May 1,	Total due annually
		November 1,	May 1,		
2005	3.95	\$ 178,885	\$ 178,885	\$ 45,000	\$ 402,770
2006	4.00	177,996	177,996	45,000	400,992
2007	4.05	177,096	177,096	45,000	399,192
2008	4.15	176,185	176,185	415,000	767,370
2009	4.20	167,678	167,678	415,000	750,356
2010	4.30	159,066	159,066	410,000	728,132
2011	4.35	150,456	150,456	440,000	740,912
2012	4.40	140,996	140,996	430,000	711,992
2013	4.50	131,644	131,644	425,000	688,288
2014	4.55	122,294	122,294	420,000	664,588
2015	4.60	112,844	112,844	420,000	645,688
2016	4.65	103,289	103,289	415,000	621,578
2017	4.70	93,744	93,744	410,000	597,488
2018	4.75	84,211	84,211	405,000	573,422
2019	4.75	74,694	74,694	400,000	549,388
2020	4.75	65,194	65,194	400,000	530,388
2021	4.75	55,694	55,694	395,000	506,388
2022	4.75	46,313	46,313	390,000	482,626
2023	4.75	37,050	37,050	390,000	464,100
2024	4.75	27,788	27,788	390,000	445,576
2025	4.75	18,525	18,525	390,000	427,050
2026	4.75	9,263	9,263	390,000	408,526
		<u>\$ 2,310,905</u>	<u>\$ 2,310,905</u>	<u>\$ 7,885,000</u>	<u>\$ 12,506,810</u>

**HOPKINS PUBLIC SCHOOLS
PRINCIPAL AND INTEREST REQUIREMENTS
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
JUNE 30, 2004**

<u>Fiscal year ended June 30,</u>	<u>Interest rate</u>	<u>Interest due May 15,</u>	<u>Principal due May 15,</u>	<u>Total due annually</u>
2005	4.76	\$	\$	\$
2006	4.76	13,088	29,277	42,365
2007	4.76	2,495	6,481	8,976
2008	4.76	2,186	6,791	8,977
2009	4.76	1,863	7,115	8,978
2010	4.76	1,524	7,453	8,977
2011	4.76	1,169	7,808	8,977
2012	4.76	798	8,180	8,978
2013	4.76	408	8,569	8,977
		<u>\$ 23,531</u>	<u>\$ 81,674</u>	<u>\$ 105,205</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the State Aid Payments). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**HOPKINS PUBLIC SCHOOLS
SCHEDULE OF BORROWINGS – STATE OF MICHIGAN
SCHOOL BOND LOAN FUND
JUNE 30, 2004**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
1997	\$ 352,402	\$ 3,345	\$ 355,747	\$ 355,747
1998	795,365	39,786	835,151	1,190,898
1999	715,300	62,002	777,302	1,968,200
2000	735,978	138,033	874,011	2,842,211
2001	481,735	152,688	634,423	3,476,634
2002	475,473	157,175	632,648	4,109,282
2003	337,000	146,604	483,604	4,592,886
2004	257,000	134,798	391,798	4,984,684



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Hopkins Public Schools
Hopkins, Michigan

July 15, 2004

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2004, which collectively comprise Hopkins Public Schools basis financial statements and have issued our report thereon dated July 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hopkins Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costerisan & Ellis, P.C.



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July 15, 2004

To the Finance Committee
Hopkins Public Schools
Hopkins, Michigan

We have audited the financial statements of Hopkins Public Schools for the year ended June 30, 2004, and have issued our report thereon dated July 15, 2004. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated June 16, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Hopkins Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Hopkins Public Schools' compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Hopkins Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by the School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimated liability of compensated absences at June 30, 2004. The estimated liability is \$675,800.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Hopkins Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Hopkins Public Schools, either individually or in the aggregate, indicate matters that could have a significant effect on Hopkins Public School's financial reporting process.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hopkins Public School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hopkins Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Finance Committee and management of Hopkins Public Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costinison & Ellis, P.C.



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July 15, 2004

To the Board of Education
Hopkins Public Schools
Hopkins, Michigan

In planning and performing our audit of the financial statements of Hopkins Public Schools for the year ended June 30, 2004, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated July 15, 2004, on the financial statements of Hopkins Public Schools.

Dishonesty Bonding

Currently, the District maintains \$25,000 of fidelity bonding. It is our belief that the size of the District's operations and the amounts of money that are frequently involved in individual transactions indicate that the fidelity bond should carry a higher limitation.

Fixed Assets

The District does not have a computerized system in place for depreciating property, plant, and equipment. We recommend that the District invest in a depreciation software package. Such software will assist in keeping the depreciation accurate and up-to-date because the software calculates the depreciation automatically. Using the software, the District can also make monthly updates to records for any new additions or disposals and can calculate any gains or losses on disposals.

Government Accounting Standards Board (GASB) Statement #40 “Deposit and Investment Risk Disclosures”

Effective June 30, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

The District should review its investment policies to determine all common risks areas are identified and the appropriate level of risk of each area is quantified.

SEC Rule No. 240-15c2-12 continuing disclosure requirements

This rule requires issuers of municipal securities in aggregate principal amount of \$1 million or more to report financial and operation information and notices of material events to nationally recognized municipal securities information repositories and to state information repositories.

Due to the complex nature of the reporting requirements we recommend you consult with your bond counsel and financial advisor to determine what procedures, if any, you should do to be in compliance with these procedures.

Financial Information Database (FID) Filing

The Center for Educational Performance and Information (CEPI) is preparing for the implementation of a new upload application/database for financial reporting for school districts in Michigan. This new application/database is called the Financial Information Database (FID). This submission is due November 15, 2004. The EDN/Form B submission process has been eliminated and is no longer available. We strongly recommend your filing be done earlier this year to ensure all changes have been accepted. The penalty for late filing is withholding of your state aid by the state of Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Hopkins Public Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costurison & Ellis, P.C.